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SUBJECT: Jordan Takes Measures to Provide Relief to Agricultural Sector; Some Subsidies to Continue

Refs: A) Amman 1639  
B) Amman 1616  
C) Amman 1392  
D) Amman 1149  
E) Amman 1034

**¶1.** (U) SUMMARY: The Ministry of Agriculture (MOA) has recently taken measures to provide some relief from rising costs of production, reduced competitiveness within the agricultural sector, dry local growing conditions, and the rise in global commodity prices (refs C and D). These measures include tax relief for poultry producers, renewed efforts to boost exports, a higher barley subsidy, increased subsidies and guaranteed prices for grain producers, and subsidized loans for horticulture producers. End Summary.

#### Tax Breaks for the Poultry Sector

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**¶2.** (SBU) Jordanian households, which spend 40 percent of their budgets on food, have been hit hard by the global increase in food and commodity prices. As a result, the Ministry of Agriculture (MOA) decided in May 2008 to reduce duties on all poultry meat imports from 20 percent to zero. Agriculture Minister Muzahim Muhaisin told FASOff that the move was based on his desire to reduce poultry prices to an affordable level for the average Jordanian consumer. Industry representatives have been harshly critical of the decision, contending that move has resulted in a flood of cheap imports (mainly from Brazil) and caused them severe losses. They argue that small and medium sized producers will be driven out of business. According to Hyder Amayreh, the owner and CEO of the Union for Agricultural Development and Slaughtering (the second largest poultry production plant in Jordan), "the future of the poultry industry is not good, and I am seriously considering selling my business. I don't see how we could compete with Saudi Arabia given all the subsidies they receive from the government and the low fuel and electricity prices."

**¶3.** (SBU) Muhaisin acknowledged to FASOff that the decision to lower duties on imported poultry meat was not popular with the local poultry industry, but further explained he needed to balance the needs of producers and consumers. In an attempt to mitigate the measure's impact, Muhaisin recently announced during a public forum with poultry producers that the GOJ is considering reducing or removing sales taxes on inputs for the poultry sector. Lower level MOA officials, however, question whether the Ministry of Finance would agree to waive taxes on inputs for the poultry and livestock industries.

## Barley Subsidies to Continue

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**¶4.** (U) In a separate public forum with livestock producers, Muhaisin stressed that the GOJ would not open the barley sector to market forces, and would continue to subsidize barley for sheep/goat producers at USD 120 million annually (ref B). He also stressed that the subsidy system would better target the small and truly needy producers, and that the GOJ would increase the quantity of subsidized feed per animal that farmers can receive. To further demonstrate that he was taking concrete steps to assist the sheep industry, the Minister also reviewed measures he had taken to resume sheep exports to neighboring Saudi Arabia. He also noted that the GOJ would present the Lower House of Parliament a draft law to establish a fund to support the livestock sector.

## Drought Relief: Greenhouse Loans and Higher Feed Prices

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**¶5.** (U) The MOA also announced that it had allocated USD 14 million to provide interest-free loans to farmers to build greenhouses, in lieu of uncovered horticultural production in open fields. This measure is intended to enhance agricultural productivity and minimize the evaporation of irrigation water, already at a premium as Jordan faces a drought (ref A).

**¶6.** (SBU) The dry growing conditions in 2008 have severely reduced grain production. Barley and wheat production this year is estimated at 1,000 and 5,000 tons, respectively, well below the annual average of 35,000 tons for each crop. In response, the GOJ recently raised the guaranteed purchase prices for barley from USD

225 to USD 500 per ton, and raised the purchase price of wheat from USD 300 to USD 565 per ton, "this incentive package cannot grow spikes," criticized Ziad Shweirat, Head of MOA's Cereals Division, to FASOff, adding that severe drought in parts of southern Jordan had eradicated all production. Note: Guaranteed prices for both wheat and barley are well above prevailing world market prices. End note. The MOA also reported that a serious problem of seed shortages for next year's wheat and barley crops, and the GOJ was unsuccessful in its attempts to secure seed stock from Syria.

**¶7.** (SBU) Muhaisin further reported that the government subsidy for wheat/bread stands at USD 400 million annually (ref E). In terms of producer support, he said the government will provide farmers with JD 50 (USD 70.60) for each hectare planted with wheat, barley or fodder, noting that some 35,000 hectares have been allocated for the Hashemite Fund for the Development of Badia in the Southern Badia area to grow fodder.

**¶8.** (SBU) Comment: The Minister has faced sharp criticism recently to "do something" to relieve the dwindling profits most producers in the agriculture sector have experienced in recent months. The measures announced represent the Minister's best efforts to provide support to some of his core political constituencies, while at the same time meeting demands to lower internal food prices. Unfortunately, the longstanding desire to reduce government intervention and to liberalize the agriculture sector has been overtaken by the negative effects of recent trends in global commodity markets.

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